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Investment Idea / IPO Note

Verdant Solar Holdings Berhad

Sunny Days Ahead

By Lee Cai Yu

BUY

IPO Price: RM0.31

Fair Value: RM0.45

Verdant Solar Holdings Berhad (VERDANT, 0373) is a leading renewable energy company involved in the provision of (i) Engineering, Procurement, Construction and Commissioning (EPCC) services for solar photovoltaic (PV) systems, (ii) Operations and Maintenance (O&M) services, and (iii) trading of solar-related products. We envisage VERDANT to register core net earnings of RM19.9m and RM22.7m for FY6/26F and FY6/27F respectively, translating to a CAGR of 13.3% (FY25–FY28F). Our fair value of RM0.45 per share is derived from a 16× FY27F PER, representing a 20% discount to peers' average forward PE to account for VERDANT's smaller market capitalisation.

VERDANT boasts a remarkable 10-year track record as a turnkey solutions provider in the solar PV system industry, with notable accreditation from the Malaysia Book of Records for the most solar PV home installations from 2022 to 2024.

VERDANT plans to establish new branch offices in Melaka, Kuantan and Ipoh to expand its footprints and respond promptly to regional demand. The first new branch office is expected to be finalised in Melaka by Q4CY25, followed by Ipoh, Kuantan. Concurrently, the group plans to pursue strategic investments and acquisitions to complement its core business and boost operational efficiency. Potential targets include EPCC firms involving in commercial, industrial, and Large-Scale Solar (LSS) projects, with a view to diversify revenue streams, strengthen technical capabilities, and scale up project delivery capacity.

Meanwhile, VERDANT is investing RM3.8m to enhance its digital infrastructure, including the implementation of enterprise resource planning (ERP) and customer relationship management (CRM) systems. These initiatives will improve workflow automation, strengthen customer relationship tracking, and support efficient project management. The company also plans to upgrade its Verdant Home mobile application, expanding its functionality for both customers and subcontractors, with the goal of increasing active users from 551 to around 2,000.

As a leading residential EPCC solar PV provider in Malaysia with a 10.9% market share, VERDANT is well positioned to capture rising adoption of rooftop solar systems driven by higher electricity tariffs, government incentives, and the national commitment to achieve 70% renewable energy capacity by 2050.

Rising electricity tariffs, supportive incentive programmes, as well as increasing public awareness of energy efficiency and sustainability, are catalysts ensuring continuous demand for VERDANT's services. With consistent revenue growth, high profit margins, and a strong net cash position, VERDANT is well-placed to sustain earnings growth in the coming years.

KLCI	1,616.83
YTD FBM KLCI change	-1.55%
YTD FBM SC Index change	-6.16%

Stock Information

Market Cap Upon Listing (RM'm)	253.5
Enlarged Share Capital (m)	817.6
Shariah Compliant	Yes

IPO Proceeds (RM'm)

Establishment of branch offices in Peninsular Malaysia	14.0
Strategic investments and M&A opportunities	10.0
Enhancement of digital infrastructure	3.8
Working capital	11.7
Estimated listing expenses	4.5
Total	**44.0**

Major Shareholders

Lim Tzer Haur	53.0%
Ng Kel Mynn	13.3%
Ong Hsiao Loong	7.4%

Summary Earnings Table

FY June (RM'm)	2025A	2026F	2027F	2028F
Revenue	111.4	125.8	140.8	154.9
EBIT	22.5	25.6	29.2	32.2
Pretax profit	23.0	26.2	29.8	32.9
PATAMI	**17.2**	**19.9**	**22.7**	**25.0**
Core PATAMI	**17.2**	**19.9**	**22.7**	**25.0**
Consensus	-	-	-	-
Core EPS (sen)	2.1	2.4	2.8	3.1
EPS growth (%)	158.7	15.6	14.1	10.2
DPS (sen)	-	-	-	-
PER (x)	14.7	12.7	11.2	10.1
BV/Share (RM)	0.03	0.11	0.14	0.17
ROE (%)	111.9	35.9	22.6	20.1
Div. Yield (%)	-	-	-	-

Sources: Prospectus, Rakuten Trade Research

COMMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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